

Message Text

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ACTION EUR-12

INFO OCT-01 ISO-00 AID-05 CEA-01 CIAE-00 COME-00 EB-08
FRB-03 INR-07 NSAE-00 SP-02 STR-05 TRSE-00 LAB-04
SIL-01 OMB-01 /050 W
-----075223 070424Z /61/17

R 021850Z DEC 77
FM AMEMBASSY BRUSSELS
TO SECSTATE WASHDC 3498
INFO ALL EC CAPTIALS

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CORRECTIOD COPY (MRN SUD READ 17693 VICE 17593)

USEEC

PARIS ALSO FOR USOECD

E.O. 11652: GDS
TAGS: EFIN, EEC
SUBJECT: JENKINS ON EUROPEAN MONETARY UNION

REF: (A) BRUSSELS 15086, (B) BRUSSELS 15365,
(C) BRUSSELS 17122, (D) LONDON 19572

1. BEGIN UNCLASSIFIED: EC COMMISSION PRESIDENT ROY JENKINS HAS GIVEN TWO SPEECHES THIS WEEK IN BRUSSELS ON THE ROLE OF THE COMMUNITY IN EXTERNAL RELATIONS. IN BOTH SPEECHES, JENKINS HAS HIGHLIGHTED CURRENT EFFORTS TO RE-LAUNCH PROGRESS TWOARDS ECONOMIC AND MONETARY UNION (EMU), AND ESPECIALLY THE NEED FOR MONETARY UNION.

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2. THE MAIN THRUST OF BOTH SPEECHES IN THIS CONNECTION IS THAT EUROPE NEEDS A MAJOR STIMULUS, A CATALYST OF HISTORICAL PROPORTIONS, TO COUNTERACT THE DEEPSEATED RECESSIONARY TENDENCIES IN EUROPE. MONETARY UNION (MEANING A COMMON CURRENCY) IS NOT A PANACEA, SAYS JENKINS, BUT WOULD BE A KEY ACT WHICH WOULD "RELEASE THE ENORMOUS POTENTIAL FOR ECONOMIC INTEGRATION AND

DEVELOPMENT IN EUROPE". SUPPORTED BY COMMON BUDGETARY ACTION, IT WOULD LEAD TO A MORE RELIABLE AND LESS INFLATIONARY GROWTH OF DEMAND, STRENGTHEN BUSINESS CONFIDENCE AND INVESTMENT, HELP DEAL WITH LONGER-TERM UNEMPLOYMENT PROBLEMS, AND REVITALIZE THE ECONOMIC BASE PROVIDED BY THE INTERNAL MARKET.

3. A SECOND ARGUMENT, GIVEN LESS EMPHASIS, IS THAT THE DOLLAR CAN NO LONGER MAINTAIN THE ALL-PERVASIVE ROLE IN THE INTERNATIONAL ECONOMY IT ONCE HAD. EUROPEAN MONETARY UNION WOULD BE THE "LARGEST SINGLE ACT OF INTERNATIONAL MONETARY REFORM SINCE BUTTON WOODS, AND THE LARGEST ACHIEVABLE REFORM IN CURRENT CIRCUMSTANCES."END UNCLASSIFIED.

4. COMMENT: (BEGIN CONFIDENTIAL) JENKINS' COMMENTS ON MONETARY UNION IN THESE SPEECHES LARGELY RESTATE POINTS HE HAS MADE EARLIER, PARTICULARLY IN HIS FLORENCE SPEECH (REF B). TWO POINTS, HOWEVER, ARE WORTH NOTING.

5. FIRST, IN CONTRAST TO THE COMMISSION'S COMMUNICATION TO THE EUROPEAN COUNCIL (REF C), WHICH LARGELY REFLECTED VICE PRESIDENT ORTOLI'S EMPHASIS ON INTERMEDIATE STEPS, ESPECIALLY POLICY COORDINATION AMONG MEMBER STATES, JENKINS AGAIN FOCUSES ON THE BENEFITS FROM FULL MONETARY UNION. IN DOING SO, HE HIGHLIGHTS THE POINT THAT NOT ONLY HAVE PAST ATTEMPTS AT EUROPEAN COORDINATION OF DEMAND MANAGEMENT
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MENT POLICIES FAILED TO ACHIEVE MACROECONOMIC OBJECTIVES OF GROWTH, FULL EMPLOYMENT, AND STABILITY, BUT THE MORE CONTROVERSIAL POINT THAT SUCH INDIVIDUAL NATIONAL POLICIES, HOWEVER WELL COORDINATED, CANNOT THEMSELVES SUCCEED.

6. IT SHOULD BE NOTED THAT THESE VIEWS, STATED IN THIS WAY, ARE NOT SHARED THROUGHOUT THE COMMISSION. IN PARTICULAR, KEY SOURCES IN ORTOLI'S CABINET HAVE CONFIDED THAT THEY SIMPLY CANNOT ACCEPT THE DOWNGRADING OF EFFORTS TO IMPROVE POLICY COORDINATION WHICH IS IMPLICIT IN THE IDEA THAT MONETARY UNION IS THE SINE QUA NON OF EFFECTIVE DEMAND MANAGEMENT POLICY IN EUROPE. INDEED, IF THIS WERE TRUE, GIVEN THE CURRENT RESISTANCE TO THE IDEA OF MONETARY UNION, ECONOMIC PROSPECTS FOR EUROPE IN THE NEAR AND MEDIUM TERM WOULD BE DIM.

7. SECOND, DESPITE THE LUKEWARM RECEPTION RECEIVED FROM SOME QUARTERS ON THIS SUBJECT (FOR EXAMPLE REFS C AND D), JENKINS IS CLEARLY TRYING TO CONTINUE HIS EFFORTS TO FOCUS ATTENTION AND DEBATE ON THE NEED FOR MONETARY UNION. SOURCES CLOSE TO JENKINS EMPHASIZE THAT LITTLE IS EXPECTED FROM THE EUROPEAN COUNCIL IN THE MONETARY AREA BEYOND A

STRONG GENERAL RE-COMMITMENT TO EMU AS A COMMUNITY OBJECTIVE. THEY DO HOPE, HOWEVER, BY KEEPING THE DISCUSSION GOING, TO STIMULATE MORE THINKING ON THIS ISSUE, AND EVENTUALLY PREPARE THE GROUND FOR MORE CONCRETE STEPS TOWARDS MONETARY UNION. JENKINS HIMSELF SAID IN RESPONSE TO A QUESTION THAT THERE IS NO TIMETABLE FOR THE ACHIEVEMENT OF MONETARY UNION, BUT THE TIME FOR DISCUSSION IS NOW. MORRIS

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Message Attributes

Automatic Decaptioning: X
Capture Date: 01-Jan-1994 12:00:00 am
Channel Indicators: n/a
Current Classification: UNCLASSIFIED
Concepts: FINANCE, REGIONAL ORGANIZATIONS, INTERGOVERNMENTAL COOPERATION
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Decaption Note:
Disposition Action: RELEASED
Disposition Approved on Date:
Disposition Case Number: n/a
Disposition Comment: 25 YEAR REVIEW
Disposition Date: 22 May 2009
Disposition Event:
Disposition History: n/a
Disposition Reason:
Disposition Remarks:
Document Number: 1977BRUSSE17693
Document Source: CORE
Document Unique ID: 00
Drafter: n/a
Enclosure: n/a
Executive Order: GS
Errors: N/A
Expiration:
Film Number: D770453-0659
Format: TEL
From: BRUSSELS USEEC
Handling Restrictions: n/a
Image Path:
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Legacy Key: link1977/newtext/t197712101/aaaadidg.tel
Line Count: 124
Litigation Code IDs:
Litigation Codes:
Litigation History:
Locator: TEXT ON-LINE, ON MICROFILM
Message ID: 69ddcefb-c188-dd11-92da-001cc4696bcc
Office: ACTION EUR
Original Classification: CONFIDENTIAL
Original Handling Restrictions: n/a
Original Previous Classification: n/a
Original Previous Handling Restrictions: n/a
Page Count: 3
Previous Channel Indicators: n/a
Previous Classification: CONFIDENTIAL
Previous Handling Restrictions: n/a
Reference: 77 BRUSSELS 15086, 77 BRUSSELS 15365, 77 BRUSSELS 17122, 77 LONDON 19572
Retention: 0
Review Action: RELEASED, APPROVED
Review Content Flags:
Review Date: 29-Nov-2004 12:00:00 am
Review Event:
Review Exemptions: n/a
Review Media Identifier:
Review Release Date: n/a
Review Release Event: n/a
Review Transfer Date:
Review Withdrawn Fields: n/a
SAS ID: 107056
Secure: OPEN
Status: NATIVE
Subject: JENKINS ON EUROPEAN MONETARY UNION
TAGS: EFIN, EEC
To: STATE
Type: TE
vdkgvwkey: odbc://SAS/SAS.dbo.SAS_Docs/69ddcefb-c188-dd11-92da-001cc4696bcc
Review Markings:
Margaret P. Grafeld
Declassified/Released
US Department of State
EO Systematic Review
22 May 2009
Markings: Margaret P. Grafeld Declassified/Released US Department of State EO Systematic Review 22 May 2009